



## PRI Opportunity Overview

This document provides an outline of a program-related investment (PRI) that Venn Foundation (Venn) plans to make if it can attract sufficient donor support. Venn is considering this PRI primarily to advance its charitable purpose and not with the significant goal of producing income, although financial return hopefully will also result. This PRI is a high-risk, charitable investment for Venn Foundation.

**Prospective Recipient:** Fair Anita, SBC

**Current Corporate Form:** Minnesota Specific Benefit Corporation

**Recipient Leader:** Joy McBrien, Founder & CEO

**PRI Structure:** \$80k-\$300k unsecured loan with warrant

### Venture Overview

After learning that financial insecurity is the top reason women stay in an abusive partnership, Joy McBrien founded Fair Anita with the goal of creating opportunities for economic self-sufficiency for women from marginalized communities. Through its survivor-centered supply chains in nine countries, Fair Anita partners with over 8,000 talented women artisans to create cute + ethical + affordable fair trade products. The company then sells those products via its website, pop-up shops, and 500 retail partners in the US and Canada. Since its incorporation in 2015, Fair Anita has mostly grown organically and concluded 2018 with over \$500,000 in sales revenue.

### Charitable Purpose Summary

The primary purpose of this PRI is to defend human rights and to provide relief to the poor, distressed, and underprivileged by providing working capital to Fair Anita. Fair Anita products are created by women from marginalized communities who are survivors of abusive relationships and looking for economic self-sufficiency. With below-market financing, the company will be able to further this purpose in a number of ways, including buying more inventory from these women at fair prices, continuing to pay them up-front, and conducting additional marketing to drive more demand. Venn's PRI will help Fair Anita realize its vision of creating a world where women feel safe, valued, and respected, no matter their geography.

### Overview of Investment Terms

Below is an overview of the intended PRI terms, which are fully described in the formal term sheet signed by both parties. Please note that Venn does not sell securities to investors but rather provides a unique charitable investment opportunity to its donors, who make recommendations. Donors themselves will not profit from supporting this PRI. Venn will allocate any financial return that may result (minus applicable fees) back into each participating donor's Venn Account for donors to recommend redeployment of those funds as new PRIs or as grants to other nonprofits.

1. \$80k-\$300k unsecured loan with warrant
2. Three-year term
  - a. Year 1-3: Simple interest accrues at 3% per year; annual, interest-only payments.
  - b. Principal to be repaid in two balloon payments at end of Year 3.
  - c. Earlier loan payback triggered if company sold or acquired.
3. Other Terms
  - a. 8-year warrant for 15% of PRI principal.
  - b. No dividends to shareholders until loan and accrued interest are repaid in full.
  - c. Fair Anita will need to meet certain conditions of closing.
  - d. Annual reporting on progress made toward charitable impact purpose of the PRI.

### **Modest Admin Fee - Only if PRI Succeeds**

Donor-advised fund sponsors usually charge donors an annual administrative fee of around 1% calculated and paid monthly on the entire account balance. However, Venn only charges donors a fee if and when the PRIs they support are successful, allowing donors to reuse their charitable dollars. While the PRI is structured as debt to businesses, donors pay an annual 1% fee only if and when the PRI returns cash to their accounts. If the PRI is converted to equity and provides a return, Venn allocates 20% of the carry (i.e. gains above return of capital) to its own operations. All other PRI returns go back to donor accounts pro-rata based on their initial participation where donors can recommend redeployment as new PRIs or grants to nonprofits.

### **Requests for Shared Due Diligence**

Venn Foundation conducts its own due diligence on every PRI opportunity before making it available for donor support so that every PRI it makes is done legally, responsibly, and with reasonable terms and conditions that will, in Venn's own judgement, increase the likelihood of success for the PRI and its primarily charitable purpose.

That said, prospective donors should not rely on Venn Foundation's internal due diligence as an endorsement that any particular PRI opportunity is appropriate for their own support or as an indication that any given PRI will ultimately succeed. Donors are responsible for independently evaluating the merits of each PRI opportunity and ultimately for making the decision to recommend that their donations be used by Venn to support a particular PRI opportunity.

As a matter of policy, Venn does not directly share its own internal detailed due diligence materials and findings with prospective donors for three main reasons.

1. Diverse Standards

Venn operates in a unique investment context in which charitable impact is a primary consideration and financial expectations are purposefully below-market. In this context, donors can have very different standards for charitable impact, for assessing risk, and for determining what makes a PRI opportunity attractive or not. What each donor expects of and concludes from a due diligence process can vary greatly.

2. Sensitive Information

Due diligence often involves reviewing sensitive and protected information. It is more appropriate that the PRI recipient retain control over which parties are seeing what information than for Venn to play this role.

3. Role Definition

Venn sees its role as making a wide variety of PRI opportunities available and known to prospective donors. Venn's role is not to persuade donors to support any one PRI opportunity over another. That role is more appropriately and effectively played by PRI recipients and by other donors who are supporting the PRI.

Venn appreciates that donors may want more information about a particular PRI and PRI recipient than is provided here before making a donation or distribution recommendation. Just as is the case when donors recommend traditional grants to nonprofit organizations from a donor-advised fund, Venn encourages donors to speak directly to the PRI recipient and to other donors already supporting the PRI to further evaluate the PRI opportunity themselves before making a donation or distribution recommendation decision.

### **Recipient Contact**

Interested donors may reach out to Joy McBrien, CEO, at [joy.mcbrien@gmail.com](mailto:joy.mcbrien@gmail.com).

### **Next Steps**

If you would like to support Venn Foundation in making this PRI, please complete the accompanying "Pledge Form" and email it to Jeff Ochs, CEO of Venn Foundation, at [jeff.ochs@vennfoundation.org](mailto:jeff.ochs@vennfoundation.org). Once the PRI minimum is raised and the company meets any other conditions of syndication, we will contact anchor donors and ask them to fulfill their pledges within two weeks.